

Exhibit 27

In The Matter Of:

*U.S. Securities and Exchange Commission v.
Elek Straub, Andras Balogh and Tamas Morvai*

*Elek Straub
Vol. 1
July 31, 2014*

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<p style="text-align: right;">Page 149</p> <p>1 the fixed now -- on the numbers.</p> <p>2 Q. Was the government advocating for a</p> <p>3 different frequency fee payment amount at this</p> <p>4 time? I mean as of May 27, 2005?</p> <p>5 A. I don't -- I don't remember the exact</p> <p>6 timing, but I clearly remember that they were</p> <p>7 requesting much more and going beyond request.</p> <p>8 They were also invoicing more earlier. Yes.</p> <p>9 Q. So is it then -- I guess what I am</p> <p>10 wondering is why -- why you would sign the</p> <p>11 agreement if the frequency fee was a major issue,</p> <p>12 and you didn't have a agreement on it, why would</p> <p>13 you sign the agreement?</p> <p>14 A. First of all is, I don't consider this</p> <p>15 as an agreement in legal terms. This was a</p> <p>16 protocol which was signed in order to show where</p> <p>17 did we stand, in which direction we would like to</p> <p>18 go.</p> <p>19 Now, this despite its weakness, which</p> <p>20 you have identified, despite its weaknesses, it</p> <p>21 shows a direction. A, it clearly says what Matav</p> <p>22 is ready to do --</p> <p>23 Q. Uh-huh?</p> <p>24 A. -- without, without let's say disputing</p> <p>25 further legal elements, and I will come to that;</p>	<p style="text-align: right;">Page 151</p> <p>1 have -- we are in an agreement with the</p> <p>2 government that they start to work and solve the</p> <p>3 problem. Again, I estimate it's not here in good</p> <p>4 faith. That was the expectation.</p> <p>5 Q. Okay. So Number 5, Rebranding?</p> <p>6 A. Yes.</p> <p>7 Q. This is on the second page.</p> <p>8 A. Yes.</p> <p>9 Q. Says, "The government agrees that</p> <p>10 MobiMak and MakTel could be renamed to T-Mobile</p> <p>11 Macedonia and/or T-Com Macedonia respectively at</p> <p>12 Matav/Deutsche Telekom's discretion."</p> <p>13 So was that a solution of the</p> <p>14 rebranding issue in MakTel's favor?"</p> <p>15 A. That was a resolution of this problem.</p> <p>16 Yes, we could say in MakTel's favor. We could</p> <p>17 say that in the favor of the joint company, yes.</p> <p>18 Q. Okay. But under these terms that the</p> <p>19 company had discretion to rebrand or not rebrand?</p> <p>20 A. Yes. But basically the intention was</p> <p>21 to rebrand, yes.</p> <p>22 Q. Okay. But it left the decision in the</p> <p>23 hands of Magyar Telekom and Deutsche Telekom?</p> <p>24 A. Yes. Yes. The government as a</p> <p>25 shareholder partner of ours was giving its</p>
<p style="text-align: right;">Page 150</p> <p>1 and there is another point that the government is</p> <p>2 ready to with good faith start to solve the</p> <p>3 problem.</p> <p>4 Now, these two things were more than</p> <p>5 nothing, and I think in such a difficult</p> <p>6 negotiation this is already something we have</p> <p>7 achieved.</p> <p>8 Now, let me come to this point which I</p> <p>9 was now mentioning. I told you that there was</p> <p>10 the -- we did frequency fee. It was not only --</p> <p>11 the only problem that how much it should be. The</p> <p>12 problem was that they have retroactively invoiced</p> <p>13 the money --</p> <p>14 Q. Uh-huh.</p> <p>15 A. -- without earlier agreement. So</p> <p>16 practically in a very theoretical way even the</p> <p>17 ground for invoicing could have been challenged.</p> <p>18 Now, Matav is in this case expressing its</p> <p>19 position that we don't challenge the legal</p> <p>20 background. We don't challenge the whole</p> <p>21 process, which was as lousy as it can be, we are</p> <p>22 ready to pay this much because we think this is</p> <p>23 reasonable. And then we have reached an</p> <p>24 agreement with the government and that's the</p> <p>25 agreement, part of it, let's say. Here we</p>	<p style="text-align: right;">Page 152</p> <p>1 consent to rebrand the company.</p> <p>2 Q. Okay. And then Item Number 6 speaks to</p> <p>3 the bylaws. And it says, "The bylaws will be</p> <p>4 brought in a previous consultation with MakTel</p> <p>5 and Matav. The government of Macedonia will</p> <p>6 accept all proposals for the bylaws which will be</p> <p>7 given by MakTel/Matav and which provide an equal</p> <p>8 and fair treatment on the market and/or in</p> <p>9 accordance with the new law and the European</p> <p>10 practice."</p> <p>11 So did that provision give MakTel what</p> <p>12 it wanted with respect to the drafting of bylaws?</p> <p>13 A. We were getting a promise from the</p> <p>14 government, which is expressed here, that they</p> <p>15 will treat us fairly in the regulations. It does</p> <p>16 not specify the very long list of different</p> <p>17 provisions. It does not commit in certain</p> <p>18 provisions to the concrete solution. In that</p> <p>19 sense, of course, we wished to have more. It</p> <p>20 would have been better for us to have a draft set</p> <p>21 of bylaws attached to this and signed, but</p> <p>22 unfortunately, this was not possible.</p> <p>23 So we were, let's say, at least having</p> <p>24 an assurance, a kind of intention that, yes, we</p> <p>25 will behave in a -- in a European manner and work</p>

<p style="text-align: right;">Page 153</p> <p>1 with you together and respect things as long as 2 these are in accordance with the European 3 practice and fair treatment and so on. So 4 practically what we wanted was never more than a 5 fair and equal treatment with other, other 6 players on the market. 7 Q. Okay. But is it correct that in 8 earlier -- earlier drafts of the protocol, that 9 these positions that MakTel had presented, that 10 the company was requesting more specific 11 commitments from the government as to bylaws? 12 A. Yes. But it turned out that the prime 13 minister and the government as such is not open 14 to incorporate very concrete detailed provisions 15 of something in a document which expresses 16 intentions and directions, and of course it's a 17 totally different flavor, so to say. 18 This talks about that the 19 Telecommunication Directorate, the Monopoly 20 Authority and others should work together on the 21 realization of these intentions and directions 22 which are mentioned here also in the -- in the by 23 -- in the point six regarding the bylaws. 24 So this was a -- in that sense a kind 25 of overall words you approach and then the</p>	<p style="text-align: right;">Page 155</p> <p>1 that -- was that your understanding? 2 A. That's always my understanding if I am 3 negotiating with somebody, yes. In this case as 4 well. 5 Q. But I think you have said this before 6 the -- you did not understand the Protocol of 7 Cooperation to be a legally enforceable document? 8 A. No. No. It was never -- as we have 9 gone through that. These items are open. 10 Partially very concretely open. It's also named 11 here. Partially pending on many other things. 12 Partially also demanding further approvals from 13 further parties. So it was a kind of -- of 14 protocol of the talking points we have gone 15 through with the government, and we have somehow 16 identified those elements where we think we are 17 close to each other and the directions, yes. 18 Q. Okay. And there was also the element 19 of reciprocity as part of that? 20 A. The -- the -- again, there were points 21 which were more important for -- for one party, 22 and there were others which were more important 23 for the other and there were points which were 24 equally important for everybody. 25 Q. Uh-huh.</p>
<p style="text-align: right;">Page 154</p> <p>1 details should be worked together in the future. 2 Q. Okay. So the last bullet point in 3 Item 9 says that, "The parties agree that this 4 protocol shall be interpreted and performed in 5 its entirety and neither Matav nor the government 6 wish to seek or request the compliance of its 7 individual provisions." 8 What was your understanding of what 9 that meant? 10 A. We have been faced several times, and 11 it's not only typical to be care of this, but 12 very general business practice that you take a 13 kind of understanding and you pick those points 14 which are for your benefit, and then you start to 15 work on that and forget all the others which 16 benefiting the others. 17 So we were practically at least trying 18 to nail down the fact that there is no rebranding 19 if there is no -- no cooperation in the frequency 20 fee and the bylaws and so on. 21 Q. Okay. So is it -- was it your 22 understanding, then, that the promises made in 23 the protocol would have some -- some reciprocity 24 to them. We expect to perform on our promises, 25 and we expect you to perform on yours, and is</p>	<p style="text-align: right;">Page 156</p> <p>1 Now the protocol, I guess, was signed, 2 if not by you, then at least on your behalf -- 3 A. Yes. Absolutely. 4 Q. -- as the chief executive officer of 5 Magyar Telekom? 6 A. Yes. 7 Q. And it was also signed by the prime 8 minister of Macedonia; is that right? 9 A. Yes. 10 Q. So does that reflect that even if it 11 was not legally enforceable, that there was some 12 importance to the document? 13 A. Yes. Yes. We have thought a lot on 14 this and it was important, especially because the 15 points in it were important, yes. 16 Q. Okay. Now did you know that at the 17 time of its execution that there were no copies 18 made of the signed protocol? 19 A. I did realize that later on that the 20 only signed copies were deposited in good faith 21 with our Greek partners, yes. 22 Q. And when did you learn that? 23 A. When Michael was asking for -- Michael 24 Gunther, I mean. Michael Gunther was asking for 25 a signed copy, and then it turned out that I was</p>

<p style="text-align: right;">Page 157</p> <p>1 asking my secretary to send this, this signed 2 copy to -- to Michael, but it turned out that 3 there are the only signed copies are deposited 4 with our Greek partner. 5 Q. And was it Mr. Balogh who informed you 6 that that was the case? 7 A. Not me. I wasn't informed. I think my 8 secretary was actually informed about that 9 because Michael was asking from the secretary. 10 Q. What explanation were you given as to 11 why Magyar Telekom didn't have a signed copy? 12 A. The -- as I was informed, the real 13 problem was not with us, so we could have signed 14 copies, and we had a lot of non-signed copies of 15 the same -- exactly the same document, but the 16 problem was with the government; and I think we 17 have -- we have seen earlier e-mails in which it 18 was expressed that the prime minister and the 19 minister of -- of telecommunication were not 20 cooperating with each other on different things; 21 and in this case as well, they were practically 22 refusing to sign the same document, and because 23 of that, they wanted not to become public that 24 one or the other was signing such a document. 25 So all in all, to keep the agreement</p>	<p style="text-align: right;">Page 159</p> <p>1 A. Yes. Yes. And it would have been very 2 difficult to explain to the public that we are 3 not getting any benefit, especially not binding 4 benefits from this document, but rather making up 5 at least partially those disadvantages which were 6 imposed on us earlier. 7 Q. And the disadvantages would be the 8 what? 9 A. The disadvantages being, for example, 10 the Telecom Law, which was publicized, and it's 11 described clearly that it was against our legal 12 contract with the government. 13 Q. Uh-huh. 14 A. So it was a clear disadvantage that 15 they were in breach of their privatization 16 contract. They were in breach of their promises 17 regarding the regulatory regime being in harmony 18 with the European Union and so on. There were 19 many things where they were disadvantaging us, so 20 to say, and very few elements were somehow 21 correct by this. 22 Q. Around this time period -- 23 A. Yes. 24 Q. -- 2005, to your knowledge, was it an 25 objective of the government of Macedonia to find</p>
<p style="text-align: right;">Page 158</p> <p>1 confidential, only in the circle of those people 2 who had a copy of it, it's fairly long, but 3 nevertheless, definitely not the press or not the 4 public, this was -- was considered the best 5 solution. That was the explanation for it, yes. 6 Q. Did you have any understanding of 7 what -- what negative things might happen with 8 respect to the government if the protocol were to 9 be made public? 10 A. I could only draw that consequence from 11 the previous times. The local press, the local 12 opposition, and the two contradicting elements of 13 the coalition government were using every 14 occasion to initiate press attacks or public 15 statements against the other, and 16 telecommunication was something at that time 17 which was a hot issue because it did impact a lot 18 of people. The public majority of the persons 19 who were using some kind of service. So the 20 negative impact, to cut it short, would have been 21 publicity negative impact. 22 Q. Okay. Would the accusation -- in your 23 understanding, would the accusations have been 24 that the government was being too generous with 25 MakTel or giving unfair benefits to MakTel?</p>	<p style="text-align: right;">Page 160</p> <p>1 a way to join the European Union? 2 A. Yes. It was definitely a desire of the 3 Macedonian people to join the European Union. 4 They -- at that time they were slightly after -- 5 after the NATO, joining the NATO. That was also 6 boosting their national proud; and as a next step 7 they wanted to become the members of the European 8 Union, which until now did not happen. 9 Nevertheless, it was the aspiration, yes. 10 Q. And the 2005 telecommunications law, 11 was that -- was that part of a government program 12 to work toward joining the European Union? 13 A. It was a failed element of that effort 14 because it was not fulfilling the requirements of 15 the European Union. So the fact to implement a 16 new law was indeed meant as a preparatory step 17 among many, of course, to become ready for future 18 membership; but the -- from the content point of 19 view, they failed to implement the real substance 20 and directions given by the European Union. So 21 that's why I said that it was a partially failed 22 attempt, yes. 23 Q. Do you know whether there was any 24 concern on the part of anyone in the government 25 that if the Protocol of Cooperation were made</p>

<p style="text-align: right;">Page 161</p> <p>1 public, that that might threaten the efforts to 2 join the European Union? 3 A. That may have been the -- the feeling. 4 I don't know about that, but it may have been the 5 feeling by somebody, but as the matter of fact, 6 we were much better in knowledge of what the 7 European Union is expecting from a country than 8 the Macedonians who were just at the very, very 9 beginning of the -- of this process, and we see 10 after ten years they are still very well before 11 the possibility joining the European Union or 12 perhaps a little bit even further down the road, 13 I mean, going backwards. So their feelings in 14 that sense were not really meaningful. 15 Q. Were -- was it an unusual practice at 16 Magyar Telekom for a signed document, a document 17 signed by a chief executive officer of the 18 company on his behalf, you know, with at least 19 important enough to be also signed by a prime 20 minister, for a document like that not to be 21 retained in the company's files at least in a 22 signed version? 23 A. First of all, I have to say that I was 24 not dealing with the filing. So, as such, I can 25 only say that most probably these documents are</p>	<p style="text-align: right;">Page 163</p> <p>1 about the reasons was basically coming from him 2 and with my -- it did meet my understanding. 3 Q. And so what did you tell Mr. Balogh, if 4 anything? 5 A. I understand this, and that's -- and we 6 have the unsigned copies which are was the same, 7 and if necessary, we can get this signed copy any 8 time from -- from Mr. Contominas as I see this 9 here. 10 Q. Uh-huh. And did you have any 11 conversations about this with Mr. Gunther? 12 A. Yes. Yes. I was explaining to him the 13 same because he's asking for the signed version 14 and then later on accepting my explanation and 15 with that, the story was practically solved again 16 like we stress especially because all of these 17 points, and here we have I think seven or 18 nine points, all of these points were dealt with 19 in different, totally different appropriate 20 documentation. So let me perhaps elaborate on 21 that. 22 For the MVNO project, which was not 23 realized later on, which was abandoned due to 24 business reasons, we had separate many business 25 cases, plans, maps, whatsoever. And of course</p>
<p style="text-align: right;">Page 162</p> <p>1 normally stored somewhere, but I was not dealing 2 with this. But let me say that you said that 3 under normal circumstances or usual, something 4 like that you have said in your question, these 5 were not usual circumstances. 6 Again, let me say that the tension in 7 the country was -- was uncomparable [sic] to the 8 usual circumstances. Again, three years before 9 this time people were on the streets fighting 10 each other with weapons. Our -- our technology 11 there was threatened and also damaged 12 significantly. Two -- two partners in the 13 coalition government were fighting against. The 14 Albanians mostly did call themselves freedom 15 fighters, and they were even very young. So I 16 would not call that situation a usual one, and 17 unusual situation was calling for in that sense 18 unusual discretion. 19 Q. So when you were first informed that 20 the only original of the Protocol of Cooperation 21 was being taken to Greece -- 22 A. Yes. 23 Q. -- did you have a conversation with 24 Mr. Balogh about that or anyone else? 25 A. Yes. And what I was telling to you now</p>	<p style="text-align: right;">Page 164</p> <p>1 there everything was clearly documented and 2 visible to those who should see that. 3 The dividend question was developed by 4 our finance function. It was a proposal. It was 5 approved by everybody. It was first full 6 supported by our financial division. So all in 7 all, this was known by everybody. 8 The frequency fee was going up to 9 Brussels because we were complaining in Brussels 10 due to this very high frequency fee and asking 11 from Brussels from our experts on comparable 12 standards and so on. 13 So I could continue, but I should not. 14 So all in all, all of these separate points were 15 dealt upon in the necessary places. 16 So actually, let me come back to my 17 original remark. This Protocol of Cooperation 18 was a collection of items which were anyway 19 handled, negotiated, documented, as well. So 20 the -- so there was no real need for me to have 21 this concrete document in my safe, so to say. 22 MR. DODGE: Can I have Number 22, please, 23 Exhibit 12? 24 (Exhibit 12, Protocol of Cooperation, Bates 25 stamped GREEK-MLAT-000009 and 10, marked for</p>

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1 Reference.)
2 **BY MR. DODGE:**
3 **Q. Mr. Straub, I am handing you a document**
4 **that's been marked Exhibit 12. It's a two-page**
5 **document with Bates numbers GREEK-MLAT-000009 and**
6 **10. The heading on the top says Protocol of**
7 **Cooperation, and the second page has signature**
8 **lines for Xhemali Mehazi, Minister of Transport**
9 **and Communications and then Elek Straub, chief**
10 **executive officer and the date line is blank.**

11 **Mr. Straub, once you have had a chance**
12 **to take a look at --**

13 A. Yes.

14 **Q. -- Exhibit 12, can you tell me if you**
15 **can identify it?**

16 A. Yes. This is the -- exactly the same
17 document as we have seen with different
18 signatures, yes.

19 **Q. So this is also the -- this is the**
20 **Protocol of Cooperation signed by the Minister of**
21 **Telecommunications?**

22 A. Yes. Yes. Yes, it is. Mr. Mehazi,
23 yes.

24 **Q. And the signature on the second page**
25 **above your name, is that your signature?**

1 A. No. No. That we were talking about
2 that the same applies for both copies. I was not
3 really dealing with that, how many signed copies
4 we will keep or not keep. I was getting this
5 information during the conversation with Michael.

6 **Q. Okay. So do you believe that you**
7 **signed Exhibit 12 in Budapest?**

8 A. Yes. Yes, I do. Yes.

9 **MR. DODGE:** Can I have 26, please?
10 (Exhibit 15, E-mail dated May 31st, 2005,
11 marked for Reference.)

12 **BY MR. DODGE:**

13 **Q. Mr. Straub, I am handing you a document**
14 **that's been labeled previously Exhibit 15. It is**
15 **an e-mail dated May 31st, 2005, from Andras**
16 **Balogh to Elek Straub with no text to the e-mail**
17 **message but an icon indicating an attachment,**
18 **named MakTel Lobby SE, and then two pages of a**
19 **document written in Hungarian under the heading**
20 **Agenda, and then the third -- or the fourth,**
21 **fifth and sixth pages are an English language**
22 **translation of the first three pages; the**
23 **translation having been done by White & Case.**

24 A. Yes.

25 **Q. So, Mr. Straub, taking a look at the**

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1 A. Yes. That's mine.

2 **Q. Can you tell me when you signed this**
3 **document?**

4 A. I don't remember. I was definitely not
5 signing it together with Mr. Mehazi. If I recall
6 it well, the document was -- was taken by some of
7 our Greek consultants. So it was signed by
8 Mehazi, and then it was getting back to us.

9 **Q. So it was signed by Mr. Mehazi first or**
10 **by you first?**

11 A. I tell you very honestly, I don't
12 remember.

13 **Q. Do you know whether Exhibit 12 was**
14 **signed before or after Exhibit 11?**

15 A. It should have been this almost the
16 same time, but I don't remember whether one day
17 before or after. I don't know.

18 **Q. Okay. Do you have any understanding**
19 **why you signed Exhibit 12 and Mr. Balogh signed**
20 **Exhibit 11?**

21 A. No. No.

22 **Q. And did you have an understanding at**
23 **the time that Exhibit 12 would -- there would**
24 **only be one original, and it would be retained by**
25 **Mr. Contominas?**

1 **first three pages of Exhibit 15, can you identify**
2 **this as an e-mail that you received from**
3 **Mr. Balogh on or about May 31st, 2005?**

4 A. I don't remember getting the e-mail,
5 but as it is a copy of that, I have to assume
6 that it was sent to me, yes.

7 **Q. Okay. And the two-page attachment with**
8 **the label Agenda, can you identify that as a**
9 **document you received from Mr. Balogh?**

10 A. If this is an attachment, then yes.
11 Yes.

12 **Q. Do you recall ever having seen this**
13 **document before?**

14 A. I don't remember, but it very well can
15 be.

16 **Q. Okay. So May 31st, 2005 is -- would**
17 **have been just a few days after the execution of**
18 **the Protocol of Cooperation; is that right?**

19 A. Yes.

20 **Q. Do you recall any discussions with**
21 **Mr. Balogh around that time on the subject --**

22 A. Not, not, not the concrete discussion.
23 He was my reportee, and we were meeting at least
24 once a week. So --

25 **Q. Okay.**

<p style="text-align: right;">Page 181</p> <p>1 Q. So it says, "Nico believes the 2 Albanians will wreck the agreement," and also I 3 have seen another interpretation, "torpedo the 4 agreement"? 5 A. Yes. 6 Q. "Within two months if we don't pay." 7 Do you have an understanding what 8 Mr. Balogh is referring to there? 9 A. I am not knowing the concrete payment, 10 but I know that in the -- in the Protocol of 11 Cooperation there was commitment to pay, to be 12 paid, and of course this money was expected by 13 them. So payment of the outstanding amounts 14 coming from the Protocol of Cooperation, which, 15 by the way, I think almost two months the 16 dividend and the frequency fee was due. 17 Q. Okay. So would you understand this to 18 mean payment of the frequency fee or payment of 19 the dividend or -- 20 A. Maybe, yes. That was the basic payment 21 elements of the Protocol of Cooperation, yes. 22 Q. Okay. Other than -- other than payment 23 of the dividend and the frequency fees, were you 24 aware of any other -- other payments associated, 25 that MakTel was supposed to make, or Magyar,</p>	<p style="text-align: right;">Page 183</p> <p>1 Now, this was a provision of the 2 privatization contract for four years. This was 3 practically running out 2004, and we were asked 4 by Mickovik or better to say we were -- Mickovik 5 was demanding for us representing request from 6 the government or from -- from the prime minister 7 that this money should be split in two parts. 8 Five million going to -- to the original, let's 9 say, original -- the original goals, and for in 10 the first, in the value of 2 million euros we 11 should hire local know-how, local, local talents, 12 local consultancies or experts, and they were 13 demanding that this 2 million from the 7 all 14 together should be paid or should be spent for 15 sourcing local experts. 16 Now, this was a dispute between us for 17 long. At the end of the day we agreed in theory 18 to that, but -- but of course we were thinking 19 that this money should, first of all, go to both 20 entities in Macedonia. So we cannot spend all 21 the money in one direction. So the idea was to 22 spend 1 million, roughly half, to the Albanian 23 national experts and to the Slavic national 24 experts. So this equal treatment or this -- this 25 equal opportunity for the different nationalities</p>
<p style="text-align: right;">Page 182</p> <p>1 associated with the Protocol of Cooperation? 2 A. No, no, no. 3 Q. Okay. 4 A. But of course MakTel was regularly 5 paying to the government, so which I cannot know 6 about. 7 Q. Then the next sub-bullet point says, 8 "Payment is conceivable, but we might, for 9 example, pay 2 million euros, 1 million each to 10 Macedonian and Albanian consultancy firm from 11 Tele-Macedonia." 12 Do you have an understanding of what 13 payment is being referred to there? 14 A. I can -- I can only guess. It's a good 15 guess. Tele-Macedonia was a daughter company of 16 MakTel, which was established to realize the 17 so-called know-how transfer, which was basically 18 on one hand the employment and payment of the 19 local -- of the experts in Macedonia. That's 20 Hungarians, Germans, Greeks and so on were 21 working with the company; and also it was a 22 vehicle to hire additional experts from around 23 the world. We have Americas. We have other 24 Germans and so on who were working with us in 25 order to improve the efficiency of the company.</p>	<p style="text-align: right;">Page 184</p> <p>1 was a possibility. 2 Q. Uh-huh. 3 A. And Tele-Macedonia was the entity which 4 was spending this money and Tele-Macedonia who 5 were the experts hired normally. 6 Q. So do you have any understanding how 7 this payment that you are describing now would 8 refer to the separate payments referred to above? 9 And these are all sub-bullet points, and there is 10 major bullet point where it says, "Question: 11 What to do with the separate payments?" 12 A. Yes. 13 Q. Can you explain to me how the payments 14 that you are describing would refer to the 15 separate payments above? 16 A. The -- I think I will, yes. The 17 situation was always that the government, 18 believing that MakTel is a very rich company, is 19 able to finance the economy in general in 20 Macedonia. We should -- we should be able to 21 invest, to hire local people and support the 22 local economy through that, to pay more taxes, or 23 to pay higher dividends. So practically all of 24 these elements are due payments to the benefit of 25 the country, either in form of a dividend or in</p>

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1 references to payments above it. Is that your
2 reading of it?

3 A. It's not entirely different. Again,
4 let me say it's -- first of all, it is paid by
5 the company, so from that aspect, it is the same.

6 **Q. It's not referring to a frequency fee**
7 **in this bullet point.**

8 A. Who said that everything is referring
9 to the frequency fee? I was not. No. No. I
10 don't know, and I don't claim that everything
11 here is summarized under the -- under the
12 headline "frequency fee." It is under payment,
13 and as payment, it fits here.

14 As frequency fee, I cannot say because
15 I don't read this as such.

16 **Q. Right. But then above that it says,**
17 **"Nico believes the Albanians will deposit the**
18 **document with him immediately similarly for the**
19 **Macedonians once we have settled one-third of the**
20 **separate payments."**

21 **So just in the way it's written it**
22 **appears to refer to specific payments that the**
23 **Albanians were expecting --**

24 A. They are.

25 **Q. -- is that right?**

1 What the document says is that the
2 original agreement was for 10 million euros or on
3 its face what Mr. Balogh wrote was that there was
4 an agreement to pay 10 million euros; and that
5 Macedonia -- that the Albanians are expecting to
6 receive, and if they don't receive it, they will
7 torpedo the protocol.

8 **MR. BUEHLER:** I would --

9 **MR. DODGE:** Is that you are understanding
10 of?

11 **MR. BUEHLER:** I would object. I would
12 object. You have now combined about three or
13 four of the different bullet points together.
14 And you have been kind of going at this same line
15 quite a long time. I have let it go on, but I
16 think it's getting to the point where you have
17 asked and answered this quite a bit now.

18 **MR. DODGE:** Do you have the question in
19 mind?

20 **THE WITNESS:** No. No. No. I am waiting
21 for the question, and then I have --

22 **MS. LANE:** There wasn't a question. It was
23 more of you testifying yourself. I didn't hear a
24 question.

25 **MR. DODGE:** Okay. We will take that as a

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1 A. The Albanians here are referred to as
2 the minister practically, the ministry which was
3 led by the Albanian minister; and by the way,
4 also the staff was more or less consisting of
5 Albanian experts, and all the payments which are
6 referred to here are somehow aimed to satisfy the
7 ministry itself or the economy which part which
8 was responsible for the minister. So actually,
9 this -- this -- everything is -- is a payment in
10 that direction.

11 **Q. Uh-huh. But then the next two bullet**
12 **points down it says, "The original agreement was**
13 **for 10 million euros in three installments,"**
14 **which on its face implies that the ministry is**
15 **anticipating a series of three installment**
16 **payments totalling 10 million euros, which**
17 **suggests a very specific expectation; is that**
18 **right?**

19 A. The expectations were high. I don't
20 know whether they were up to 10 million, but the
21 expectations were high and were, of course,
22 negotiated down by us until we arrived to the
23 protocol.

24 **Q. But that's not what the agreement --**
25 **that's not what the document says.**

1 form objection.

2 **MS. LANE:** Yes, do.

3 **BY MR. DODGE:**

4 **Q. So if you look at the series of bullet**
5 **points taken together?**

6 A. Yes.

7 **Q. One bullet point speaks to an**
8 **expectation by the Albanians that -- now I lost**
9 **my place. I will start again.**

10 **So the bullet point that begins, "Nico**
11 **believes" refers to -- let me start again there.**

12 **Let's go down to the bottom sub-bullet**
13 **point here where it says, "We should only pay**
14 **more than this once the MVNO contract for Kosovo**
15 **has been received and suitable bylaws have been**
16 **accepted."**

17 A. Yes.

18 **Q. Are you aware of any -- any payments**
19 **that would be contingent on the two things**
20 **referred to there?**

21 A. In the Protocol of Cooperation we have
22 agreed upon on different items, partially to be
23 delivered by -- by MakTel, like the dividend
24 payments or like the frequency fee or also some
25 other smaller elements, and also the government

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1 was agreeing, at least in theory, or in the
2 directions to deliver certain things like to
3 approve the MVNO project to be started and also
4 that they will cooperate with us in terms of the
5 development of the bylaws up to the level it is
6 fair, it is European standard without any
7 specific benefit -- any disadvantages.
8 Now, this means that we should not
9 really do our steps or pay the frequency fees or
10 the dividends as long as we don't see that the
11 government is making similar steps; and if you
12 recall in the last -- last point of the Protocol
13 of Cooperation, there is an explanative clause
14 which is related to this. No one should accept,
15 neither party should accept that the other one is
16 doing steps without the other one also realizing
17 what is promised or what is suggested in the
18 protocol, and this says the same.
19 **Q. So is it your testimony, then, that**
20 **MakTel's payment of a frequency fee would be**
21 **contingent on either the MVNO contract or**
22 **suitable bylaws?**
23 A. Would be -- would be done step by step
24 referring to the -- to the commitments and
25 delivery by the ministry in terms of this

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1 cooperation, yes.
2 **Q. Okay. Well, the bylaws -- the**
3 **frequency fee, let's focus on that for a moment.**
4 A. Yes. Yes.
5 **Q. The protocol specifies the amount of**
6 **frequency fee that Magyar was willing to pay,**
7 **right?**
8 A. Yes.
9 **Q. So once the government invoiced MakTel**
10 **for that frequency fee at that agreed amount,**
11 **MakTel would go ahead and pay that, right?**
12 A. MakTel was invoiced already once in
13 2004, if I recall it well, and those invoices
14 were in place. The -- this new frequency fee
15 rumor has to be shoot first, agreed upon, and
16 then can be invoiced and then of course still
17 MakTel has the -- all the rights to appeal
18 against it, to pay whenever they think it's the
19 time has come. So of course there is a kind of
20 step-by-step realization of both sides'
21 commitments or both sides of promises which were
22 combined in the form of the Protocol of
23 Cooperation.
24 **Q. Well, but MakTel was, in fact, invoiced**
25 **for frequency fees in the amount set forth in the**

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1 **protocol; is that right?**
2 A. No. At that time definitely not.
3 **Q. But they later were?**
4 A. I cannot tell you. I was not -- not
5 involved directly in the final. I know that
6 there was earlier a much higher invoice.
7 **Q. Uh-huh?**
8 A. I know about that concretely. I
9 don't -- I cannot tell you when the new version
10 was -- was invoiced. It was probably done
11 because otherwise it cannot work.
12 **Q. But if I suggested to you that at the**
13 **end of June 2005, MakTel was, in fact,**
14 **invoiced --**
15 A. Yes.
16 **Q. -- for frequency fee and --**
17 A. That's possible.
18 **Q. -- and if I suggested to you that**
19 **MakTel then paid that invoice sometime in July**
20 **of 2005, would that be inconsistent with your**
21 **understanding?**
22 A. No, normally they paid their invoices.
23 **Q. Okay. And if I suggested to you that**
24 **that took place before there was any MVNO**
25 **contract for Kosovo, would that be inconsistent**

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1 **with your understanding?**
2 A. The -- the MVNO contract was also
3 depending on several other things. First of all,
4 on the -- on the economic merit of it.
5 This was an idea presented to me as a
6 talking point. It was not even expressing
7 perhaps the position of Andras. This was in
8 order to talk about it. So it was not -- not
9 even a statement by anybody. These were all
10 points to be discussed later on between two
11 managers in an informal form. So I -- I don't
12 really understand the question.
13 **Q. Okay. Well, what the bullet point**
14 **says, We should pay more than this" --**
15 A. Yeah.
16 **Q. -- "once the MVNO contract for Kosovo**
17 **has been received and suitable bylaws have been**
18 **accepted."**
19 A. Yes.
20 **Q. And I was wondering what payments were**
21 **you aware of, if any, that would have been**
22 **contingent on the MVNO contract and suitable**
23 **bylaws being in place?**
24 **MR. BUEHLER:** Just objection. I think you
25 did ask almost that exact same question already.

<p style="text-align: right;">Page 213</p> <p>1 was asking somebody to put together this list and 2 he was not checking it. That was my, let's say, 3 first feeling about this whole story. It was 4 lousy work. 5 Q. All right. The e-mail from Mr. Balogh 6 continues, skipping a line, line or two, 7 "Naturally, Nico and company pressed the matter 8 unbelievably phoning us daily. Today even their 9 local man was there when the phone call was made 10 (Bekim) a consultant in the MOF." 11 Do you have any understanding what 12 Mr. Balogh was referring to when he said -- 13 wrote, "Nico and company pressed the matter 14 unbelievably"? 15 A. Yes. The project was agreed upon in 16 the Protocol of Cooperation. All Protocol of 17 Cooperation elements, by the way, were referring 18 to Macedonia, and that's why most probably the 19 reference to that which you were asking. 20 So the project was there, and Nico was 21 personally is interested in the project. The 22 Greek company wanted to be a partner in the 23 project and most probably make some money with 24 the -- with the project being developed. 25 And that's why he was very much</p>	<p style="text-align: right;">Page 215</p> <p>1 to set up this project. So I think it was 2 natural for them to see whether it's realized and 3 how fast it is realized whether we would be 4 making at least some progress with it. 5 Q. So the progress, though, that was being 6 considered at that time was -- was the logistics 7 work on the border; is that correct? 8 A. We were far from realizing any project 9 work. We were just in the preparatory phase of 10 this project. There plans were made; actors were 11 looked for, and that's of course also showing 12 certain efforts whether the project is 13 progressing or not. 14 Q. Okay. 15 A. So it was either very far away from any 16 construction, and at the end of the day we were 17 never arriving there. 18 Q. Okay. But at this time -- 19 A. Yes. 20 Q. -- in mid-June of 2005 where it says, 21 "Nico and company pressed the matter 22 unbelievably, phoning us daily, and referring to 23 the prime minister as well," what did you 24 understand the Greeks and the prime minister to 25 expect the company to be doing at this time?</p>
<p style="text-align: right;">Page 214</p> <p>1 interested in it, and he also was in connection 2 with the prime minister who was also pushing this 3 project for the reasons we have discussed 4 earlier. So all in all, we have signed the 5 Protocol of Cooperation in this case already once 6 earlier also, and they were pushing to happen 7 something. 8 Q. Okay. Now, in the sentence it writes, 9 "Bekim, a consultant in the MOF," and that's the 10 English translation. 11 A. Hungarian it is PM. 12 Q. PM in Hungarian, which, could that have 13 referred to the prime minister? 14 A. Yes. Yes. 15 Q. So would you read this as perhaps a bad 16 translation; that MOF maybe should have been -- 17 A. I don't know what MOF means, but here 18 in the Hungarian it's prime minister. 19 Q. Okay. So what was -- what was your 20 understanding of the prime minister's interest in 21 pushing forward with the Kosovo MVNO project? 22 A. Mr. Dodge, the prime minister was 23 negotiating with, and on behalf of the prime 24 minister, others were negotiating with us for 25 months; and one element of that negotiation was</p>	<p style="text-align: right;">Page 216</p> <p>1 A. Progressing with the project fast and 2 relatively smoothly. Progressing with the 3 preparation of the MVNO project. 4 Q. So what sort of process -- what sort of 5 progress could have been happening in the second 6 half of June of 2005? 7 A. Planning, looking for partners, signing 8 documents, doing the necessary preparatory steps 9 or what a project has to be contained, a project 10 map, defining responsible persons, defining who 11 the technological supplier will be and so on. So 12 all the things which are not arriving to the 13 realization, but are considered as preparatory 14 steps. And most probably they -- for whatever 15 reason, Nico and perhaps all -- although this 16 Bekim, which I don't know, was considering that 17 we were a little bit slow or we were not fast 18 enough or we should be faster. 19 Q. So what deliverables should MakTel have 20 been producing at this time? 21 A. You are over-asking me. I am sorry. 22 That's a German expression so. So I don't know. 23 I can only rely on that, and I can say that, yes, 24 indeed, if I have signed a document in which we 25 have made certain promises to the government,</p>

<p style="text-align: right;">Page 217</p> <p>1 it's realistic that they were also looking for</p> <p>2 the realization of that.</p> <p>3 Q. Okay. But if Mr. Stavridis is putting</p> <p>4 pressure on the company to produce results, at</p> <p>5 the same time the only potential counter-parties</p> <p>6 that the Greeks have made available is, as I</p> <p>7 understood your testimony, were grossly unfit for</p> <p>8 the task; is that fair?</p> <p>9 MR. BUEHLER: Objection.</p> <p>10 THE WITNESS: Let me say that I don't know</p> <p>11 how many other elements of the project were under</p> <p>12 way; how many other suggestions, plans the Greeks</p> <p>13 and others were already contributing. This --</p> <p>14 here we are with this list only picking one</p> <p>15 element, and I am not sure whether there are</p> <p>16 binders behind this whole story, which we don't</p> <p>17 touch upon now because -- because it's not on the</p> <p>18 table.</p> <p>19 Q. Okay.</p> <p>20 A. I tell you such a project to launch an</p> <p>21 operator somewhere needs significant preparatory</p> <p>22 work. One important, we need of course to find</p> <p>23 all the actors, but there are many, many others</p> <p>24 behind it: Pricing issues, marketing issues,</p> <p>25 regulatory issues, and so on and so on.</p>	<p style="text-align: right;">Page 219</p> <p>1 to talk to you so that you speak to Contominas</p> <p>2 about how the matter could be speeded up. It is</p> <p>3 his idea that Contominas could bridge over the</p> <p>4 period while we find out which company we</p> <p>5 should -- we could cooperate with."</p> <p>6 Did you have any understanding of what</p> <p>7 Mr. Balogh meant when he said that Contominas</p> <p>8 could bridge over the period?</p> <p>9 A. Yes. Contominas was owning not only an</p> <p>10 insurance company and television channels and so</p> <p>11 on, but he was also owning a significant</p> <p>12 telecommunications company with distribution</p> <p>13 channels, with technical assistance and so on,</p> <p>14 few hundred people at least in Greece. And the</p> <p>15 idea was that somehow we should include those</p> <p>16 guys into the preparatory phase rather than hire</p> <p>17 somebody.</p> <p>18 Q. Okay.</p> <p>19 A. The company name was Cosmoline.</p> <p>20 Q. Okay. So would the suggestion have</p> <p>21 been to use Cosmoline instead of one of these</p> <p>22 five companies --</p> <p>23 A. Yes.</p> <p>24 Q. -- to do that?</p> <p>25 A. Instead of. Not instead of these. I</p>
<p style="text-align: right;">Page 218</p> <p>1 Q. Okay. The next sentence here</p> <p>2 Mr. Balogh writes, "I explained to them that we</p> <p>3 shall not take any action whatsoever until the</p> <p>4 legal review of the companies is not completed."</p> <p>5 When he writes, "the legal review of</p> <p>6 the companies," did you understand that to be</p> <p>7 referring to the due diligence of the companies</p> <p>8 identified in Exhibit 37?</p> <p>9 A. Yes. Yes. Of course.</p> <p>10 Q. Once you understood that these were</p> <p>11 shell companies, was there the ongoing legal</p> <p>12 review after that or would that review have</p> <p>13 simply ended once you know they are shell</p> <p>14 companies?</p> <p>15 A. I am not a lawyer. So I really cannot</p> <p>16 tell you what an in-depth legal review means, but</p> <p>17 I think more than what was -- what was said here</p> <p>18 about the companies. We have initiated a review,</p> <p>19 and that review was not finished, only the</p> <p>20 preliminary --</p> <p>21 Q. Okay.</p> <p>22 A. -- results for that. So most probably</p> <p>23 it was going on.</p> <p>24 Q. All right. So next sentence then says,</p> <p>25 "Naturally, Nico change his strategy and asked me</p>	<p style="text-align: right;">Page 220</p> <p>1 don't think that that is a good expression. Use</p> <p>2 them because they are suitable.</p> <p>3 Q. Okay.</p> <p>4 A. Instead these -- I would not really</p> <p>5 talk too much about companies which are not</p> <p>6 capable of doing things.</p> <p>7 Q. Okay. So the suggestion, then, was</p> <p>8 that Cosmoline would be used for the --</p> <p>9 A. Yes.</p> <p>10 Q. -- the infrastructure work on the</p> <p>11 border between --</p> <p>12 A. Yes.</p> <p>13 Q. -- with Kosovo.</p> <p>14 A. And all the others which I cannot list</p> <p>15 now. There were many tasks related to the</p> <p>16 project. So --</p> <p>17 Q. Okay. Now why would -- I am still --</p> <p>18 the word "bridge," why would that be considered a</p> <p>19 bridge as opposed to simply --</p> <p>20 A. I don't know.</p> <p>21 Q. -- using that?</p> <p>22 A. If you have a problem, then you are</p> <p>23 bridging the problem if it is solved somehow.</p> <p>24 Huh? I think that's an expression, but I don't</p> <p>25 know.</p>

In The Matter Of:

*U.S. Securities and Exchange Commission v.
Elek Straub, Andras Balogh and Tamas Morvai*

*Elek Straub
Vol. 2
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1 did not recognize the document, he was
2 nonetheless aware of the number of the topics
3 referred to within it. Mr. Mastrangelo noted
4 that had Mr. Straub's name appeared in the
5 signature block on behalf of Matav on page 4 of
6 the document and asked whether Mr. Straub had
7 ever signed such a document. Mr. Straub could
8 not recall ever having signed such a document nor
9 any documents with the government of Macedonia.
10 In any event, the protocol was in draft form."

11 A. Yes.

12 Q. Do you recall having -- having that
13 exchange with the lawyers from White & Case?

14 MR. BUEHLER: Objection.

15 THE WITNESS: I -- as I told you, I don't
16 remember the exact -- exact sequence of -- of
17 this discussion at the time. It was long ago.
18 But what is the question?

19 BY MR. DODGE:

20 Q. I think you answered the question,
21 which was: Do you recall the exchange?

22 Did you tell White & Case that you did
23 not recall ever having signed such a document as
24 exhibit -- as Exhibit 171?

25 MR. BUEHLER: Objection.

1 THE VIDEOGRAPHER: We are now off the
2 record. The time is 3:57 p.m., August 1st, 2014.
3 This marks the end of DVD Number 9 of the
4 deposition of Mr. Elek Straub.

5 (Break taken.)

6 THE VIDEOGRAPHER: This marks the beginning
7 of DVD Number 10 in the deposition of Mr. Elek
8 Straub. We are now back on the record. The time
9 is 4:11 p.m., August 1st, 2014.

10 (Exhibit 154, PowerPoint presentation,
11 marked for Reference.)

12 BY MR. DODGE:

13 Q. Mr. Straub, we are now going to be
14 changing to a different subject area. I have
15 handed you a document that has previously been
16 marked Exhibit 154.

17 A. Yes.

18 Q. It's a PowerPoint presentation with the
19 heading "SOX Project Status Report," an operation
20 in 2006, MC proposal date of the MC meeting,
21 October 28, 2005.

22 Have you had a chance to review
23 Exhibit 154?

24 A. Of course it's a detailed and in-depth
25 document, so it would need more time, but I -- I

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1 THE WITNESS: As -- as I see this document,
2 I have never signed this document or even a
3 document which is equal to this. It consists of
4 alternatives: Alternative A, B and C. It
5 consists of I don't know how many points. We
6 have seen this protocol of cooperation several
7 times. This is not the one I have signed.

8 BY MR. DODGE:

9 Q. Did you tell White & Case that you
10 could not recall ever having signed any documents
11 with the government of Macedonia?

12 MR. BUEHLER: Objection.

13 THE WITNESS: I don't remember reading the
14 wording at that time. It was really very long
15 ago.

16 BY MR. DODGE:

17 Q. Okay. Did you tell White & Case that
18 there was a signed version of the Protocol of
19 Cooperation?

20 MR. BUEHLER: Objection.

21 THE WITNESS: I don't know whether it was
22 ever asked. I don't know.

23 MR. DODGE: Could we take a 10-minute break
24 at this point?

25 MR. BUEHLER: Okay.

1 have an overview about it, yes.

2 Q. The reference on the cover to MC
3 meeting, do you understand what the reference of
4 MC is to?

5 A. Yes.

6 Q. What is that?

7 A. That's the management committee of
8 Magyar Telekom, the highest management body.

9 Q. Okay. And that would -- that would
10 have included you as the CEO in 2005; is that
11 right?

12 A. Yes. Yes.

13 Q. The reference in the heading to "SOX
14 project status," do you have understanding what
15 the SOX project was in 2005?

16 A. Yes. As a company listed on the New
17 York Stock Exchange, we were implementing,
18 according to the rules and obligations, the SOX
19 requirements in Hungary. That was a lengthy
20 process with several milestones and, of course,
21 with significant external help.

22 And seemingly, although I don't
23 remember and recall the exact dates and last
24 dates of the milestones, this was seemingly an
25 important milestone where we got the report about

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1 the process -- progress in 2005 and -- and some
2 plans for 2006.

3 **Q. Okay. We have used the term SOX,**
4 **S-O-X.**

5 **Do you understand that to refer to the**
6 **Sarbanes-Oxley Act?**

7 A. That is the Sarbanes-Oxley Act and
8 everything which was coming from it as an
9 obligation to us.

10 **Q. On the bottom right-hand corner of**
11 **Exhibit 154 is the name Andras Balogh. Did**
12 **Mr. Balogh have a role within Magyar Telekom in**
13 **connection with the SOX project?**

14 **MR. HILL:** Objection.

15 **THE WITNESS:** He -- he was responsible for
16 almost all significant projects and most probably
17 in this capacity, he was putting this together.

18 **BY MR. DODGE:**

19 **Q. When you say "all significant**
20 **projects," do you mean all significant projects**
21 **related to the Sarbanes-Oxley Act?**

22 A. No. No. No. Beyond that. Beyond
23 that as well.

24 **Q. If you look at page 6 of the exhibit,**
25 **this is the Bates number that ends in 8870, there**

1 **the SOX Compliance Manager Group, a dotted line**
2 **going up to the Magyar Telekom Group CFO.**

3 A. Yes.

4 **Q. Who was that in 2005?**

5 A. That was Klaus Hartmann, Dr. Klaus
6 Hartmann.

7 **Q. And do you have an understanding of**
8 **what responsibilities Mr. Balogh had in**
9 **overseeing the SOX Compliance Manager Group?**

10 A. He was overseeing that group. He
11 was -- he was the one who had under -- under whom
12 this group was established.

13 **Q. Okay. So was -- and then -- and how is**
14 **that different than the dotted line that moves up**
15 **to Mr. Hartmann's position?**

16 A. Mr. Hartmann played the important role,
17 from a professional perspective, in this whole
18 SOX project and SOX compliance introduction. He
19 was the one responsible for the professional
20 content of the project. Mr. Balogh and others
21 were only responsible for the -- for the
22 management support.

23 **Q. Okay. When you were the chief**
24 **financial officer of -- of Magyar Telekom, did**
25 **you periodically sign management representation**

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1 **is an organizational chart. Do you see that?**

2 A. Yes.

3 **Q. And then in the center, toward the top**
4 **is a box for SOX Compliance Manager Group. Do**
5 **you see that?**

6 A. Yes. Yes.

7 **Q. What was the responsibility of that**
8 **position in 2005? In that group, I should say.**

9 A. It's a complicated chart, and as I read
10 it, the -- there was a -- a group set up from --
11 from persons to supervise the whole project and
12 give a kind of professional guidance to the
13 subunits of -- of Magyar Telekom and, of course,
14 these were also managing different units in the
15 company.

16 **Q. And then that box that you have just**
17 **been describing, there is a solid line moving up**
18 **from the SOX Compliance Manager Group to the**
19 **Magyar Telekom group, chief strategist executive**
20 **director. Do you see that?**

21 A. Yes.

22 **Q. And who held that position in 2005?**

23 A. In 2005, I think it was Andras Balogh,
24 Mr. Andras Balogh.

25 **Q. And then there is also, moving up from**

1 **letters for -- addressed to Pricewaterhouse-**
2 **Coopers?**

3 **MR. BUEHLER:** I believe you -- you addressed
4 him as "chief financial officer."

5 **MR. DODGE:** I apologize. My brain is still
6 on the last question. So I withdraw the question
7 and try -- try it again.

8 **BY MR. DODGE:**

9 **Q. Mr. Straub, when you were the chief**
10 **executive officer of Magyar Telekom, did you**
11 **periodically sign management representation**
12 **letters addressed to PricewaterhouseCoopers?**

13 A. Yes. Together with the chief financial
14 officer, basically we have signed every -- at
15 every Easter such a return, yes.

16 **Q. What was your understanding of the**
17 **purpose of the management representation letters?**

18 A. Directly we have signed, together with
19 Dr. Klaus Hartmann, was -- was representing the
20 basic position of the company towards our
21 auditor. It was prepared on different levels.
22 Summarized, the whole process was in the hands of
23 the finance function and then presented to me
24 to -- to be signed.

25 **Q. And did you have an understanding of**

<p style="text-align: right;">Page 501</p> <p>1 what role the management representation letter</p> <p>2 had to PricewaterhouseCoopers in terms of the</p> <p>3 work that they did on the company's side?</p> <p>4 A. I was never an expert on this field</p> <p>5 but, of course, I did understand that this is an</p> <p>6 important additional information they need to</p> <p>7 close the -- the books -- to review and close the</p> <p>8 books of the company.</p> <p>9 Q. Was there a -- was there a management</p> <p>10 representation letter issued and signed in</p> <p>11 connection with the preparation of Magyar</p> <p>12 Telekom's Form 20-F?</p> <p>13 A. We were -- I -- I cannot tell you</p> <p>14 directly, but we were preparing reports quarterly</p> <p>15 and at the end of the year, and 20-F was, I</p> <p>16 think, the yearly document which we have prepared</p> <p>17 and submitted to the Stock Exchange.</p> <p>18 Q. So Magyar Telekom, when it was a</p> <p>19 publicly traded company, filed an annual</p> <p>20 Form 20-F with the Securities and Exchange</p> <p>21 Commission; is that right?</p> <p>22 A. Yes, yes.</p> <p>23 Q. And on a quarterly basis, is it your</p> <p>24 understanding that Magyar Telekom filed a Form</p> <p>25 6-K with --</p>	<p style="text-align: right;">Page 503</p> <p>1 Q. Mr. Straub, I am handing you a document</p> <p>2 that's been previously marked Exhibit 18. It's a</p> <p>3 letter, about 13 pages long, addressed to</p> <p>4 PricewaterhouseCoopers. On the last page, it has</p> <p>5 a date, January 17, 2005, signature lines for</p> <p>6 Elek Straub and Klaus Hartmann, Bates numbers</p> <p>7 DOJ 0125968 through 25980.</p> <p>8 A. Yes.</p> <p>9 Q. Can you identify Exhibit 18 as a</p> <p>10 management representation letter that you and</p> <p>11 Mr. Hartmann signed on or about January 17, 2005?</p> <p>12 A. Yes.</p> <p>13 Q. And let me take you through some of</p> <p>14 the -- some of the language in the first couple</p> <p>15 of pages --</p> <p>16 A. Yes.</p> <p>17 Q. -- of the exhibit.</p> <p>18 On the second paragraph it begins, "We</p> <p>19 acknowledge management's responsibility for the</p> <p>20 IFRS financial statements, the financial</p> <p>21 statements prepared for statutory purposes, the</p> <p>22 Deutsche Telekom AG consolidation reporting</p> <p>23 packages and the 20-F to be filed with the United</p> <p>24 States Securities and Exchange Commission and</p> <p>25 believe that they present fairly in all material</p>
<p style="text-align: right;">Page 502</p> <p>1 A. I -- I would not be able to -- to have</p> <p>2 this name to it, but we were preparing quarterly</p> <p>3 a report, and this was an unaudited version of</p> <p>4 the report --</p> <p>5 Q. Okay.</p> <p>6 A. -- of the -- of the financial status of</p> <p>7 the company. Yes.</p> <p>8 Q. Did you understand that Magyar</p> <p>9 Telekom's quarterly reports were filed with the</p> <p>10 New York -- with the Securities and Exchange</p> <p>11 Commission?</p> <p>12 A. I don't remember the quarterlies. I</p> <p>13 remember this 20-F stuff but, of, course, I</p> <p>14 was -- I was in belief that we are filing every</p> <p>15 day what is needed.</p> <p>16 Q. Did you understand that Magyar</p> <p>17 Telekom's SEC filings were available -- made</p> <p>18 available publicly for -- for use by investors?</p> <p>19 A. Yes. I could read it on something.</p> <p>20 MR. DODGE: May have Exhibit 18, please?</p> <p>21 This is Number 129.</p> <p>22 (Exhibit 18, Management representation</p> <p>23 letter Bates stamped DOJ 0125968 through 25980,</p> <p>24 marked for Reference.)</p> <p>25 BY MR. DODGE:</p>	<p style="text-align: right;">Page 504</p> <p>1 respects the financial position and results of</p> <p>2 operations of the company in accordance with</p> <p>3 relevant GAAP."</p> <p>4 So as you testified before -- withdraw</p> <p>5 that question.</p> <p>6 Move down to the next paragraph --</p> <p>7 A. Yes.</p> <p>8 Q. -- which begins, "We also acknowledge</p> <p>9 our responsibility for establishing and</p> <p>10 maintaining proper accounting and other records</p> <p>11 and adequate systems of internal controls."</p> <p>12 Did you understand, when you signed</p> <p>13 management representation letters, that one of</p> <p>14 your representations had to do with maintaining</p> <p>15 proper accounting and adequate systems of</p> <p>16 internal controls?</p> <p>17 A. Yes.</p> <p>18 Q. Then at the bottom of the first page,</p> <p>19 "We confirm, to the best of our knowledge and</p> <p>20 belief, as of January 14th, 2005, the date of</p> <p>21 your report, and having made appropriate</p> <p>22 inquiries of other officers of the company, the</p> <p>23 following information and opinion given to you in</p> <p>24 connection with your performance of the</p> <p>25 engagements referred to above."</p>